

# ***CALFED Bay-Delta Program***

## ***10-YEAR ACTION PLAN FRAMEWORK***

***Final DRAFT 12/15/05***

The Sacramento-San Joaquin Bay-Delta is vitally important to California's environment and economy. A decade ago, after a persistent drought and collapsing fisheries escalated into a full scale water war, insightful state and federal leaders called a truce which became a pivotal turning point that led to the creation of the CALFED Program. Without the Bay-Delta, California would not be the national and international economic powerhouse it is today. Without CALFED, the Bay-Delta would not have the protections and management it has today and the promise it has for tomorrow. The promise of CALFED is great: state, federal and local agencies working together with stakeholders in an open and accountable way to resolve longstanding differences over the Delta as both the major source of the state's water supply and an ecological treasure.

CALFED has been successful. In the last five years the state's overall water supply has been increased, fish and wildlife habitat has been restored in the Delta and its tributaries, advances in water quality have been funded and sound science has played a more prominent role in management and regulatory decisions.

CALFED has also been disappointing. Projects and programs have been delayed, crises such as the decline of pelagic organisms in the Delta have continued to arise and stable funding has been elusive. In addition, it is clear that there is not enough money to fully fund all the actions originally envisioned in the CALFED Record of Decision (ROD) and that implementing agencies are faced with important decisions on how to move ahead.

A firm belief in the promise of CALFED and concern over its future challenges prompted Governor Arnold Schwarzenegger in May to request three actions to allow the CALFED Program to move forward and focus on addressing the highest priority issues associated with the conflicts in the Delta:

- An independent fiscal and management review,
- A refocusing of the efforts of the California Bay-Delta Authority and the other CALFED state agencies on solving conflicts associated with Delta water supply, water quality, levee stability and the environment, and
- A plan that focuses on solving the highest priority Delta issues, links future water user payments to specific program actions and includes funding from the state, federal and local levels consistent with the beneficiaries-pay principle.

In response to the Governor's direction, a 10-Year Action Plan is being prepared. The 10 Year Action Plan includes the results and findings from the Department of Finance's fiscal and programmatic reviews and the independent review of CALFED governance conducted by the Little Hoover Commission. The Plan defines specific implementation

actions over the next three years and lays out possible future directions of the Program based on various critical decisions to be made. It resets the schedules and milestones identified in the CALFED Record of Decision and identifies near-term priority actions for the CALFED Program that result in balanced implementation of the Program's four primary objectives: ecosystem restoration, water supply reliability, water quality and levee system integrity. In addition, an independent management consultant, KPMG, has made recommendations to improve program and fiscal management for the implementing agencies and the California Bay-Delta Authority (CBDA) which are included in this Plan. The following represents a framework of the key components included in the 10-Year Action Plan:

## ***Governance***

As a result of the independent review of governance conducted by the Little Hoover Commission, the administration is proposing several key changes:

- **ESTABLISH THE EXECUTIVE LEADERSHIP COUNCIL.** State and federal agencies will establish a new state/federal agency group called the Executive Leadership Council, modeled after the former Policy Group. This group will be comprised of the directors of the state and federal implementing agencies of the CALFED Program, and will be responsible for implementation of CALFED projects and programs. The group will be chaired by a state lead (Secretary for Resources) appointed by the Governor, and a federal lead appointed by the Secretary of the Interior. A Memorandum of Understanding will be prepared by June 2006 formalizing the creation of this group.
- **INDEPENDENT OVERSIGHT - This section is under development.**
- **ESTABLISH A STATE POLICY ADVISORY COMMITTEE.** This plan recommends that the state administration work with the federal partners to establish a policy advisory committee to advise and make recommendations to both the state and federal implementing agencies through the Executive Leadership Council. This state policy advisory committee would replace the current federally chartered Bay-Delta Public Advisory Committee, and should reflect the broad diversity of both the state's population and the stakeholder groups involved with the implementation of the CALFED Bay-Delta Program including tribal and environmental justice representatives.
- **REASSIGN CBDA STAFF.** Move the staff of CBDA to the Resources Agency to operate under the direction of the Secretary for Resources as the state lead in support of the policy group.
- **CREATE LEGISLATION TO SUPPORT CHANGES IN CALFED GOVERNANCE.** Support legislation that would modify the existing California Bay-Delta Authority Act of 2003 to be consistent with the recommendations in this plan.

## *Program and Fiscal Management*

Based on information and reviews by the Department of Finance, the Little Hoover Commission and an independent consultant assessment of CALFED and the California Bay-Delta Authority, the administration will strengthen and improve strategic planning, fiscal management and reporting, program management performance and tracking, interagency coordination and science. Specific changes include:

- **REORGANIZE CBDA.** Reorganize the California Bay-Delta Authority staff to meet the increased emphasis on strategic planning, program management and science.
- **COMPLETE TRANSITION OF ECOSYSTEM RESTORATION PROGRAM (ERP).** Consistent with the objective of accountability for the implementing agencies, complete the transition of ecosystem restoration implementation from CBDA to the Department of Fish and Game.
- **STRATEGIC PLANNING.** Consistent with an increased emphasis on strategic planning, improve annual program planning by the implementing agencies and annual and periodic reporting of Program progress by CBDA.
- **PERFORMANCE-BASED PROGRAM MANAGEMENT.** Under the guidance of the Executive Leadership Council, implementing agencies and CBDA will coordinate to establish standard performance-based program management methods. These methods will include: results-oriented performance measures, performance-based management tools, standardized data management, annual reporting and continuous business process review.
- **COMMUNICATIONS PLAN.** Develop and implement a communications plan which will address the need to convey the significance of the Delta and the CALFED Program to California's citizens, its economy and its environment, along with the need to collect and report fiscal and program information from across program elements and departments to a diverse set of audiences. Included with the communication plan will be periodic status reports for all projects and programs.
- **FISCAL MANAGEMENT AND TRACKING.** In coordination with the implementing agencies, develop common fiscal management and reporting systems which allow for consistent and reliable tracking of Program funds to the task level across all program elements and departments. Additionally, there is a need to establish a CBDA infrastructure and processes to compile and report this information.
- **SCIENCE AND ADAPTIVE MANAGEMENT.** Implementing agencies under the general guidance of the CBDA Science Program will integrate science into their project and program activities and will establish project and program level performance measures by which progress on project and program activities can be evaluated.

## ***Refocused CALFED Program and Program Priorities***

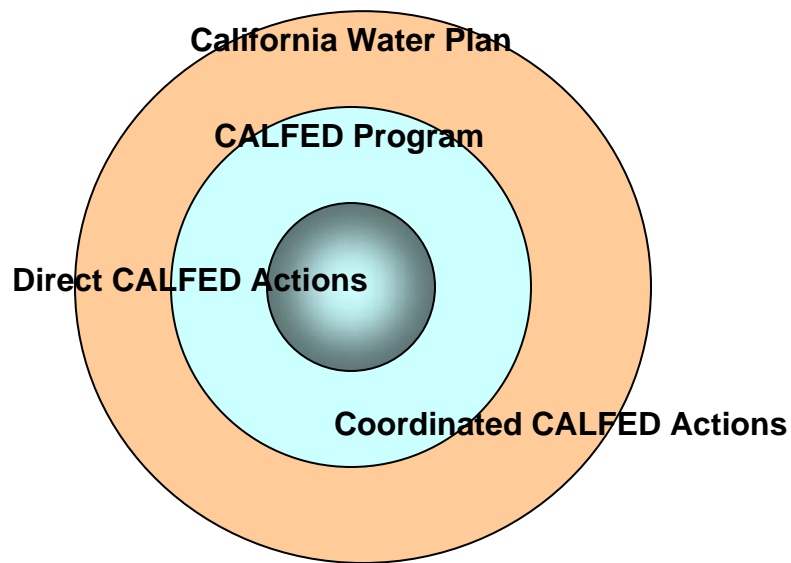
The California Water Plan Update 2005 sets the stage for comprehensive water management in California and provides a roadmap for meeting the State's future water management needs. Within the California Water Plan's broader context lies a subset of actions that represent the CALFED Program. The CALFED Program focuses on the Delta, but recognizes that the solutions to Delta problems often cannot be achieved without going far upstream into the tributaries and watersheds that flow into the Delta, as well as into the service areas of the projects that deliver water supplies from the Bay-Delta system throughout the state.

Many of the actions identified within the ROD as critical to solving the Delta's problems have also been identified by the California Water Plan as having far reaching benefits to California's overall water needs. This overlap emphasizes that the issues facing California's water future and their corresponding solutions are tightly linked to the actions and approaches to solving the Delta's problems as reflected in the CALFED ROD.

Geographically the CALFED Program encompasses more than 75 percent of the state. Few actions truly fall outside of the direct or indirect linkage to the Delta. However, responding to the Governor's directive to "refocus" the Program and the need to be sure that the collective energy of the CALFED implementing agencies is focused on the actions that are most critical to resolving Delta conflicts, the CALFED implementing agencies have identified a subset of the actions in the ROD that will be managed more intensively through the CALFED process. Accordingly the actions included in the CALFED Program will be organized into two groups:

**DIRECT CALFED ACTIONS** - Actions that require direct policy-level engagement and leadership by the CALFED agencies in order to succeed. These actions generally include those that have a direct link to the problems and solutions in the Delta. In addition, these actions are generally implemented by federal and state agencies that are signatories to the CALFED ROD.

**COORDINATED CALFED ACTIONS** - Actions that require coordination with, and guidance from the CALFED agencies. These actions generally include those that have an indirect link to the problems and solutions in the Delta, but contribute to a successful CALFED. These are actions that are implemented largely by local agencies rather than CALFED agencies and may also include actions that have objectives outside the CALFED objectives, such as flood control. Coordinated Actions also frequently fall within the scope of IRWM actions as described in the California Water Plan.



It is impossible to make clear-cut determinations of every activity. The bottom line from policy and implementation standpoints is that the day-to-day activities of the CALFED agencies need to be more strategically focused for success.

All actions identified in the ROD are important to resolving Delta conflicts and the overall success of the CALFED Program. All actions identified in the ROD are important for balanced implementation of the Program. All actions in the ROD will be implemented in a manner consistent with the intent of the ROD, follow the implementation commitments in the ROD including environmental justice and tribal coordination and implement the program and fiscal management improvements identified in this Plan.

Table 1. CALFED Program Activities Sorted into Direct CALFED-Delta and Coordinated CALFED Actions.

Direct CALFED Actions	Coordinated CALFED Actions *
<ul style="list-style-type: none"> <li>• Ecosystem Restoration Element</li> <li>• Environmental Water Account Element</li> <li>• Levee System Integrity Element</li> <li>• Storage Components: <ul style="list-style-type: none"> <li>◦ Surface Storage Investigations</li> <li>◦ San Luis Low Point Project</li> </ul> </li> <li>• Water Quality Components: <ul style="list-style-type: none"> <li>◦ Regional ELPH planning</li> <li>◦ Central Valley Drinking Water Policy</li> <li>◦ Franks Tract</li> <li>◦ San Joaquin River Salinity Management</li> <li>◦ Relocation of M&amp;I Intakes</li> <li>◦ ELPH implementation</li> <li>◦ Environmental Water Quality including mercury, dissolved oxygen and toxicity</li> </ul> </li> <li>• Conveyance Components: <ul style="list-style-type: none"> <li>◦ South Delta Improvements Project</li> <li>◦ State Water Project/Central Valley Project Intertie</li> <li>◦ South Delta Fish Protection studies</li> <li>◦ Recirculation</li> <li>◦ Delta Cross Channel/Through-Delta studies</li> </ul> </li> <li>• Interagency Coordination and Planning</li> <li>• Environmental Justice</li> <li>• Tribal Coordination</li> <li>• Science</li> </ul>	<ul style="list-style-type: none"> <li>• Water Use Efficiency Element</li> <li>• Water Transfers Element</li> <li>• Watershed Management Element</li> <li>• Storage Components: <ul style="list-style-type: none"> <li>◦ Groundwater Storage</li> </ul> </li> <li>• Water Quality Components: <ul style="list-style-type: none"> <li>◦ New treatment technology pilots</li> <li>◦ Drinking Water Quality Source Improvement Grants</li> <li>◦ California Aqueduct Watershed Actions</li> </ul> </li> <li>• Conveyance Components: <ul style="list-style-type: none"> <li>◦ Lower San Joaquin River Flood Control Project</li> </ul> </li> <li>• Working Landscapes</li> <li>• Environmental Justice</li> <li>• Tribal Coordination</li> <li>• Science</li> </ul>

*\*This list is representative. Any actions which are not explicitly listed are assumed to be included as part of the Coordinated CALFED Actions.*

The ROD included numerous implementation commitments including those for both tribal and environmental justice actions. While it is important that the CALFED implementing agencies continue and improve their commitment to these programs, it is recognized that the greatest value occurs at the project level. Implementing agencies will work with the new state policy advisory committee to improve the integration of environmental justice and tribal actions as part of project implementation. In conjunction with a meeting of the new state policy advisory committee, the implementing agencies will conduct an environmental justice summit. This summit will provide an opportunity for the environmental justice community to discuss and make recommendations to the implementing agencies on how best to incorporate environmental justice into CALFED Program and project actions. Every effort will be made to ensure broad statewide representation of the diversity of environmental justice interests. Following the environmental justice summit, the CALFED implementing

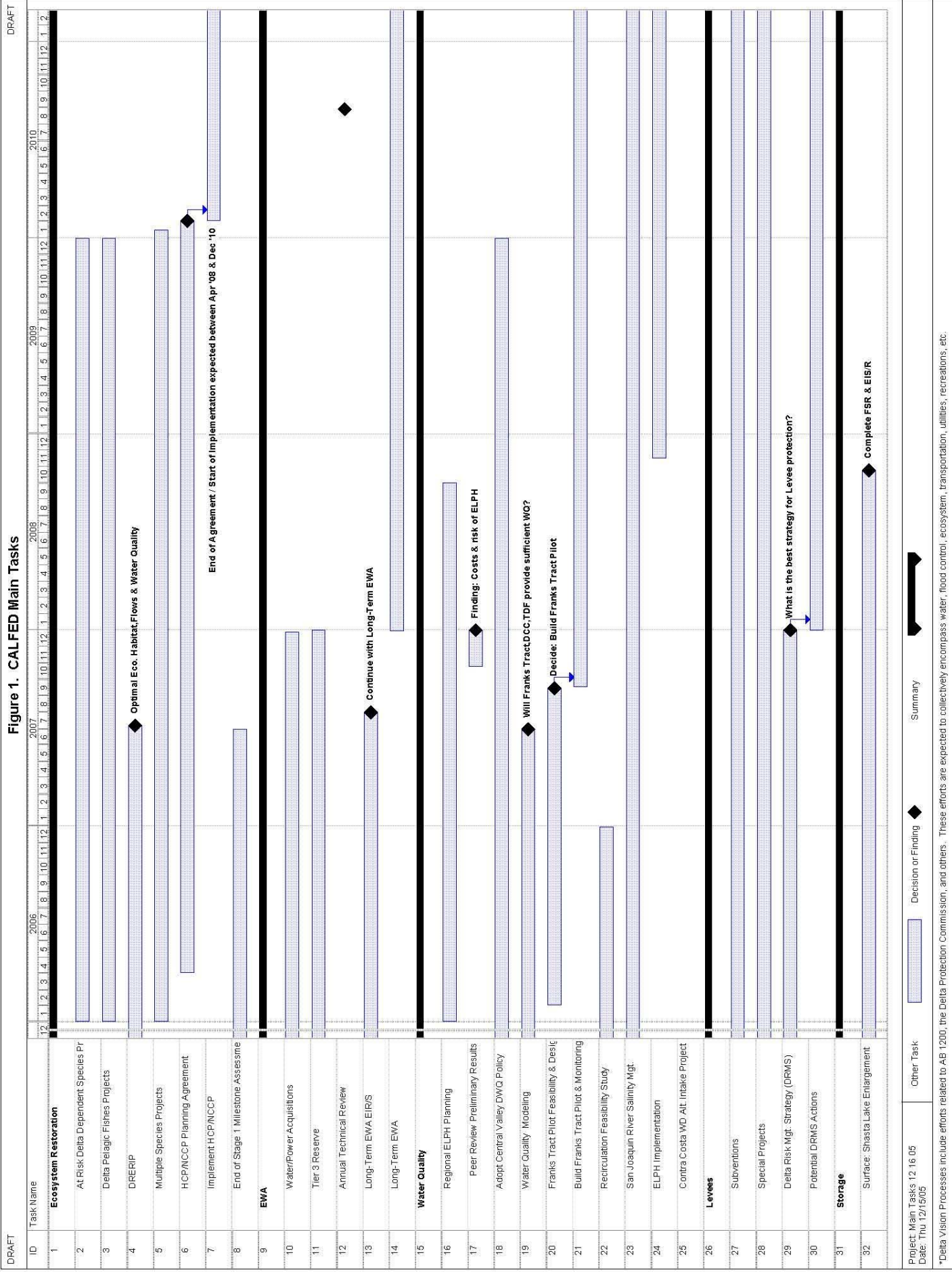
agencies will develop a plan to improve integration of environmental justice within CALFED programs and actions by July 2006.

## ***Major Actions***

The CALFED ROD identified nearly 300 separate actions to be completed during Stage 1 (first seven years). However, policymakers have requested a subset of these actions that can be tracked as priority actions and as an indicator of overall Program status. As part of the 10-Year Action Plan, the expectation is that implementing agencies have developed realistic schedules that they are willing to use as one measure of the implementation status of the CALFED Program. Figure 1. contains schedules for key actions identified under the refocused CALFED Program. Implementing agencies will be accountable for meeting these schedules. These schedules are expected to be refined through the next round of Multi-Year Program Plans which will be produced in June 2006. Adherence to these schedules is intended to represent a balanced program. As sample of the key actions over the next three to four years includes:

- Implement ERP actions to protect and restore pelagic organisms and other dependent at-risk species in the Delta.
- Install operable gates in the Delta.
- Continue Delta levee subventions and complete Delta Risk Management Study, together with an implementation plan and schedule for Delta levees.
- Implement Delta Improvements Plan (DIP) actions
- Complete key studies for surface storage, regional ELPH (equivalent level of public health), Franks Tract Pilot feasibility and design and Delta Regional Ecosystem Restoration Implementation Plan.
- Implement San Joaquin River salinity management.







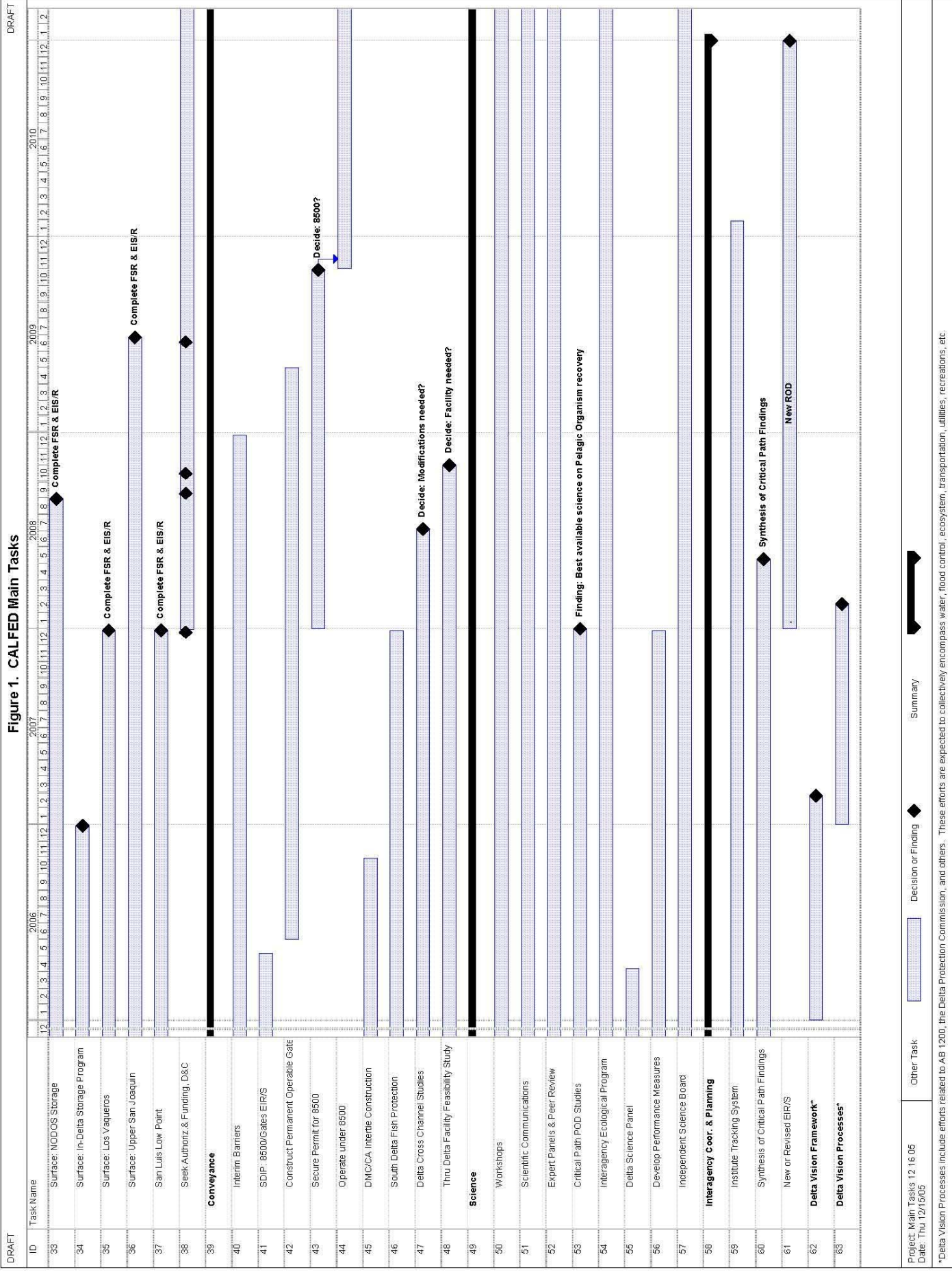


Figure 1. CALFED Main Tasks

## *End of Stage One Decisions*

The CALFED ROD identified several questions that need to be answered after the first seven years of the Program, near the end of Stage 1:

- What additional actions are needed to achieve the drinking water quality goals?
- What is an appropriate scope for the ERP and related actions so the regulatory commitments can be extended beyond December 2007?
- Should the screened Sacramento River diversion be built or should alternatives to the Through-Delta conveyance approach be reconsidered?
- Should surface storage facilities be constructed?
- Is a new approach needed to reduce Delta levee risks?

To address these questions, policy-makers will need access to the best available technical information. Accordingly, the ROD called for a number of studies and investigations, timed to be completed during Stage 1, which will provide this foundational information including: Delta regional ecosystem planning, water quality modeling and conveyance feasibility studies.

To be able to make the decisions necessary at the end of Stage 1, the implementing agencies through the proposed Executive Leadership Council, will begin a synthesis task in early 2006 that will be designed to gather and integrate information generated from the studies that are underway. The synthesis task will be completed by mid-2008 to coincide with the schedule for several end-of-Stage 1 decisions.

## *Creating a 100 Year Delta Vision*

Numerous activities and investments are underway now to protect and restore the Sacramento-San Joaquin Delta, including protection of Delta levees, restoration of the Delta ecosystem and scientific research to better understand how the Delta works. To ensure protection of Delta resources into the future, an integrated and sustainable long-term vision for the Delta must be created which integrates water and environmental planning with agriculture, transportation, energy and land use. It is anticipated that a long-term vision for the Delta would address the next 100 years.

- **DELTA VISION SCIENCE PANEL.** As an initial step to this process, the CBDA Science Program will convene a small panel of science experts to review and synthesize the latest relevant scientific information relative to the Delta. The science panel will review, summarize and synthesize research and scientific work performed to date in the Delta along with other pertinent literature, enlisting input from other Delta science experts when needed. Information from the science panel will be used to inform the development of scenarios or options for a new Delta Vision.
- **DELTA VISION PUBLIC PROCESS.** The administration will develop an open collaborative public process involving local government and stakeholders to create a

100-year vision for the Delta, including land use and transportation. Work on the Delta Vision process will begin in January 2006, with a framework complete by December 2006 and a completed Delta vision by December 2007.

### ***Develop a Planning Agreement and HCP/NCCP for the Sacramento River, San Joaquin River and the Delta.***

Changes in available CALFED funding and the need to enable water supply, water quality, ecosystem, and levee projects to progress within a stable regulatory framework have led to an agreement to pursue a new regulatory structure. Through a voluntary process, several Bay-Delta system water users who need to comply with the California Endangered Species Act and the Federal Endangered Species Act regarding on-going operations of their water projects are working cooperatively to explore preparation of one or more Habitat Conservation Plans under Section 10 of the Federal Endangered Species Act (FESA) and Natural Communities Conservation Plans under the California Endangered Species Act (CESA) (HCP/NCCP).

The potential benefits of the HCP/NCCP approach are:

- This approach has the potential to increase the understanding and support for conservation measures because the water users who are applicants are more closely involved with their development as part of the HCP/NCCP process.
- This approach provides the opportunity for more efficient implementation of CESA and FESA because problems can be addressed on a larger scale which allows for more robust solutions.
- Developing the regional conservation strategies will allow coordination of federal agency consultation activities under Section 7 of FESA .
- This will also create potential regulatory benefits for a wider pool of water users which should provide for greater contributions to environmental restoration and species recovery.

This approach is, however, not without risks:

- The scope and breadth of the HCP/NCCP(s) will be broad and the issues complex.
- There is an inherent tension between the flexibility required for adaptive management and the interest of water users in regulatory certainty.

It should be emphasized that the process is voluntary. No one will be forced to join. Individual agencies will be able to assess the potential costs and benefits of participating and make their own business decision on whether it is in their interest to participate.

The first step in this process is the negotiation of a Planning Agreement (Agreement). This Agreement will identify which water users are interested in securing coverage and which activities they would like to have covered. The Agreement will also describe what the geographic scope and covered species would be. The Agreement is targeted for completion in 2007.

## ***Beneficiary Pays***

Over the last ten years, local water agencies have spent billions of dollars, independent of state or federal CALFED funding, implementing projects that directly or indirectly contribute to solutions in the Delta. These projects include construction of Diamond Valley Reservoir, Los Vaqueros Reservoir, East Branch Extension of the State Water Project and Coastal Branch of the State Water Project. In addition, local water agencies have independently funded the emergency storage program in San Diego, groundwater programs like Semitropic and local conservation programs.

Because of the nature of the CALFED cross-cut budget and the difficulty in accurately tracking local investments that contribute to CALFED solutions, only those local contributions which have a state or federal CALFED funding component are tracked through the CALFED cross-cut budget. Specifically, the Department of Finance's (DOF) fiscal review for the first four years of ROD implementation identified total CALFED funding to be \$2,516 million, with a funding distribution of: 49% local (\$1,234 million), 41% State (\$1,040 million) and 10% federal (\$242 million).

Local contributions toward the CALFED Program have been focused in the storage, water use efficiency, ecosystem restoration, and levees programs. Further examination of the local contributions, 88% (\$1,086 million) were for grant matches, 8% (\$99 million) were CVP Restoration Fund, and 4% (\$49 million) State Water Project.

The Governor's direction to develop this 10 Year Action Plan has led to negotiations with the purpose of developing water user contributions for the CALFED Program. These negotiations are an important component of the CALFED 10 Year Action Plan. The negotiations between CALFED implementing and regulatory agencies and stakeholders have focused on how to secure user contributions through a voluntary process that allows users to determine what benefits they are receiving from implementation of the CALFED program and to contribute accordingly. Parties involved in the negotiations include export and area of origin water users, power interests, Delta interests, state and federal agencies, environmental interests, and others. The negotiations have been on-going since September. The negotiators have a tentative Statement of Principles that they are expecting to initial on December 20, 2005 and take to their respective decision-makers for consideration in January 2006. The Statement of Principles proposes to provide, over the next two years, \$60 million in existing and new contributions for the HCP/NCCP(s), a Species Recovery Capital Fund, the Ecosystem Restoration Program, POD studies, and the 100 year Delta vision. This is in addition to the value of the commitments made for the EWA. Furthermore, it is expected that

implementation of the HCP and NCCP concept will bring additional funding for ecosystem restoration that will potentially significantly exceed that envisioned in ROD.

### ***Years 6-8 Near-Term Funding Plan.***

The funding plan for the CALFED Program for the near term is designed to get the Program through the next three years by primarily relying on existing available funding. Additional funds are proposed only for the most critical actions that are needed, either for policy-makers to have adequate information to make decisions about the future of the Program, or to maintain a minimum level of effort to keep a balanced Program in the interim. Of the approximately \$1 billion needed, roughly 75 percent of the funding is already in place.

Actions need to be taken to obtain the remaining 25 percent of the necessary funding. Specifically, budget proposals will be included in the Governor's FY 2006-07 Budget, federal funds need to be included in the President's future budgets and supported by Congress, and additional water user contributions need to be provided for key actions. The following lists the additional funding needed:

#### Additional State Funding (\$76 million)

##### Remaining Bonds (\$42 million)

- \$42 million for water quality improvements

##### New General Fund Requests (\$34 million)

- \$28 million for Delta levee maintenance, improvements and the Delta Risk Management Study (DRMS)
- \$6 million for strategic planning including the new Delta Vision in Year 7, and possible new environmental documentation in Year 8.

Additional Federal Funding (\$99 million) – includes reasonable estimates of federal appropriations in Years 7 & 8, including the full federal share of surface storage planning, and other estimates based on FY 2006 budget amounts.

Local Match (\$18 million) – includes local matching funds for San Joaquin River Salinity Management under the Water Quality Program and funding from local reclamation districts for levee maintenance.

Additional Water User Contributions (\$30 million) – Total agreement is for \$60 million in water user contributions, which includes \$30 million in existing ERP funding through CVPIA and Four Pumps, and \$30 million in new water user contributions for the preparation of HCP/NCCP(s), Species Recovery Capital Fund, Delta Vision and POD studies (described below). This does not include the value of the commitments being for the EWA.

- Delta Vision (\$4 million) - \$2 million/year for 2 years.
- HCP/NCCP(s) (\$6 million) - \$3 million/year for agency staff costs during preparation of the HCP/NCCP(s). Current commitment is for 2006 and 2007. HCP/NCCP applicants will develop Planning Agreement, which will include a cost-share agreement that will include a budget and will address funding for Year 8.
- Species Recovery Fund (\$12 million) - \$12 million total for the next two years for capital fund for restoration projects. Planning Agreement for HCP/NCCP(s) will address funding for Year 8.
- POD Studies (\$8 million) - \$ 4 million annually.
- EWA (Commitment to loan water) – SWP and CVP would ensure that the EWA has adequate annual resources this year. Agencies agree to seek full public funding in Year 7. Resources for Year 8 depend on decisions regarding extension of the EWA.

## ***Future Funding Plan***

Each CALFED-Delta Focus program has some variability in the future resulting in a seven-year range of costs of between \$2 billion and \$6 billion. Most programs have funding ranges that are dependent on future decisions (Delta Risk Management Study, Surface Storage feasibility studies, Equivalent Level of Public Health planning and a 100-Year Delta Vision). A few programs (science and interagency coordination) have a funding range based on how aggressively program actions are implemented.

